

EXHIBIT A

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China is famous for its teas, but another drink is quickly becoming just as popular. Just ask Pernod Ricard and LVMH.



BREWING UP

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WORDS BY MATTEO FAGOTTO



A STORM

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The fermentation room of Pigeon Hills Winery. With more than 1,200 hectares of vines, Pigeon Hills is one of the biggest wineries in the region. Thanks to its total tank capacity of 6,000 tons, it can produce up to five million bottles per year of high-quality, low-priced commercial wine.

Previous pages: the skyline of Yinchuan, capital of the Ningxia Hui Autonomous Region, with a population of almost two million. Yinchuan, which is undergoing massive urban development, was ranked fifth in the world's fastest-growing cities index in 2015; workers harvest the grapes in one of the largest vineyards in Ningxia.

THE MORNING SUN is already high in the translucent sky and a gentle, chilling breeze sweeps the endless plains on the outskirts of Yinchuan, the capital of Ningxia. As the mist slowly evaporates, exposing a breathtaking view of the rugged Helan Mountains, scores of women dressed in jeans, light jumpers and colourful veils crouch along rows of vines, expertly cutting the dark-coloured, ripe grapes and collecting them in green plastic cases. It's harvest time, the most important period of the year in this small autonomous region at the gate of the Gobi desert.

Photographs by Matilde Gattoni

Looking at Ningxia's majestic peaks and orderly vines stretching as far as the eye can see, it is difficult to imagine that, a little more than 20 years ago, the region was just a forlorn stretch of sand inhabited by subsistence farmers. "When I was a kid I used to dig holes in the desert. I would hide there and play together with my friends," remembers 41-year-old Ren Yanling while sitting in her laboratory during a rare break.

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This energetic, hardworking woman was born in the village of Yuquanying, close to the Helan Mountain vineyard where she now works as chief winemaker for the famous French multinational Pernod Ricard. "When I was 15 I would sneak out to have a sip of the wine my parents were making," she recounts laughing. "My parents didn't allow me to drink, but I really enjoyed it."

Sharp, confident and with a characteristic penetrating gaze, Ren is part of a group of strong-willed, talented owners, winemakers and managers who are leading China's wine revolution. Thanks to their vision and commitment, what was once a poverty-stricken rural province has turned into winemaking's new frontier. Ningxia nowadays hosts more than 40,000 hectares of vines and 199 wineries, the majority of them small boutique estates focused on high-quality vintages with an average production of less than 100,000 bottles per year each. Ningxia's wines have already won several prestigious international competitions and are sold in top restaurants, hotels and stores from Europe to Australia, from North America to Dubai, Hong Kong and the UK.

The beginnings weren't really promising. China's modern relationship with wine has developed only since the 1980s, when the government decided to discourage the widespread consumption of *baijiu*, the traditional grain-based liquors which were diverting millions of tons of precious staple food for the production of alcohol. Chinese state officials started praising the health benefits of wine instead, while technicians and agrarians travelled to Europe to acquaint themselves with a product nobody was really familiar with.

"At that time China was producing a blend of grape juice, sweetener and alcohol. It wasn't exactly wine," remembers Zhou Shuzhen, a distinguished 56-year-old woman who was one of the first winemakers of the region and now works for several estates, including the award-winning Kanaan winery. A former schoolteacher, in 1983 Zhou was part of a group of nine people selected for a pioneering winemaking course in the city of Changli, where she participated in one of the first vinification experiments in contemporary China. "It was a dry red wine. We were using some local varieties of grapes but we were not very familiar with fermentations," recounts Zhou, with the thoughtful smile of someone who has come a long way. "The result was a very alcoholic and harsh wine. The colour was very dark but it didn't have much flavour." The wine was presented to a local government official who deemed it disgusting, comparing it to soya sauce. The disappointed winemakers quickly got rid of it, exchanging it with some apricots at a local market.

Despite these initial setbacks, the wine industry in Ningxia continued to develop in the following decades under the direction of the local authorities. Land was being reclaimed from the desert and planted with trees and grapes imported from Europe, while water from the nearby Yellow River provided the necessary irrigation. Wine producers were granted discounted land leases and started hiring foreign consultants, while the local government offered scholarships for oenology studies and hosted several international wine competitions. These concerted efforts slowly started to pay off: Ningxia's wine boomed around 2007 and is now the region's second biggest industry after coal. "I have never seen anything like this anywhere else before. The speed of development here is simply amazing," explains José Hernández González, a 37-year-old Spanish oenologist who has worked in Ningxia since 2012.

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Chen Deqi, 62, is the president of the Thai-Chinese food giant Daysun Group and the owner of Ho-Lan Soul, the biggest organic winery in Ningxia. Ho-Lan Soul opened in 2010 and has already won several wine awards, including two grand gold medals at last year's Concours Mondial de Bruxelles. "I am very proud of what I have achieved so far. The conditions to plant grapes here are better than in Bordeaux and the market is constantly growing," he explains. "In the future, the biggest wine market in the world will be China."



Local women manually transferring wine into the oak barrels at Pigeon Hills.

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Although China boasts several wine-producing regions, Ningxia has been identified by local and international experts as the best one thanks to an exceptional combination of sandy and dry terroir, high altitude, long sunshine hours and low precipitation, which significantly reduce the need for pesticides. Around 90 percent of the region's production focuses on red, with Cabernet Sauvignon as the most popular variety (others include Merlot, Marselan, Malbec, Shiraz, Pinot Noir and, for white wine, Chardonnay and Italian Riesling). The quality is surprisingly good considering that the industry is new and that most of the vines are less than 20 years old. What Ningxia wines still lack in complexity and structure is compensated by their fruitiness, freshness and minerality, which could become the region's defining characteristics.

Nowadays Ningxia is abuzz with pioneers hoping to turn wine into the next gold rush, just like in the legendary Wild West. Some of their wineries are prefabricated metal cubes opened by aficionados with limited means but a serious passion for wine, while others are grandiose chateaux built in classic French style. Among the latter is Changyu Moser XV, an impressive 70-million-euro fairytale castle surrounded by 66 hectares of vineyards and featuring a cinema and a wine museum.

The winery is a joint venture between Changyu, China's oldest wine producer, and chief winemaker Lenz Maria Moser, the 62-year-old descendant of one of Austria's most famous winemaking families. "I am deeply convinced that, over time, we can really produce world-class wines here," explains Moser, who wants to turn Changyu Moser XV into one of the world's best wineries in just a few years time. "Our products are already sold in more than 25 countries and we want to go even more global. China needs to benchmark itself internationally in order to be successful on the home front."

Yet weather conditions and high costs can make wine production in Ningxia particularly challenging. With temperatures as low as minus 27 degrees Celsius, vines have to be buried in winter and unburied in spring in order to survive, a costly and risky process that kills between three and five percent of plants every year. Almost all the equipment has to be imported from Europe, from grape-sorting and pressing machines to bottling lines, barrels and corks. Labour is extremely expensive as well, especially during harvest, when all the wineries need pickers at exactly the same time.

As a result, Ningxia's medium and high-end wines cost hundreds of euros per bottle and are much more expensive than their European counterparts, which is why several local wineries still struggle with sales. "Ningxia wine is good but difficult to promote," confirms 39-year-old Sun Qixia, the manager of a newly opened wine cellar in Yinchuan. "We are very young and we need time to learn how to do things properly. It took Europe

hundreds of years to understand how to produce and market good wine."

Despite these hiccups the local wine boom has attracted heavyweights such as French luxury conglomerate LVMH (the owner of Moët & Chandon), and Midea, one of China's biggest manufacturers of electrical appliances. Hong Kong-based oil company Copower and Thai-Chinese food giant Daysun have also joined the race.

Chen Deqi, the visionary 62-year-old president of Daysun and owner of Ho-Lan Soul, Ningxia's biggest organic winery, plans to build 30 more chateaux in the next 10 years. The whole complex will occupy 6,700 hectares and will include artificial lakes, exhibition centres, several hotels, a ski resort and a section of the Great Wall. The project is expected to cost a staggering 758 million euros, but Chen doesn't seem concerned. "The conditions to grow grapes here are better than in Bordeaux and the market is constantly growing," he explains during a visit to Ho-Lan Soul's state-of-the-art cave, lit by futuristic purple spotlights. "The world's biggest wine market will soon be China."

While China is already the sixth largest producer and the fifth largest consumer of wine in the world, its average per capita wine consumption is only 1.7 bottles per year. Despite the government's efforts *baijiu* and beer remain the country's favourite alcoholic beverages. Ningxia's boutique wines are slowly making their way into the main cities, but Chinese palates are still not accustomed to wine and educating them might take time.

"Promoting our wines involves a lot of tastings, dinners and word of mouth," confirms Gao Yuan, the 41-year-old co-owner of Silver Heights, one of the most famous vineyards in Ningxia. Gao started producing wine in 2007 on a one-hectare property bought with her mother's life savings. She managed to fill just 3,000 bottles, but the wine was so good that the wine distribution company she was working for begged her to resign and produce wine fulltime. Today Silver Heights sells its products to top hotels and restaurants in China, France, Japan, Canada and Hong Kong. Its story exemplifies the potential of a region where passion, creativity and ambition have resulted in a perfect mix. Ningxia's wine miracle is not only a local success story but the harbinger of a new, self-confident China willing to open up to the rest of the world.

"We must not forget that wine is a cultural product. Let's think about it as a window to communicate with the others rather than just focusing on its economic value", explains 65-year-old Hao Linhai, a calm, composed man with an innate aura of nonchalant authority who is considered the mastermind behind the development of the local wine sector, which he oversaw during his tenure as Ningxia's deputy governor.

As the night prepares to fall on the enchanted plains of Ningxia, the workers return to the wineries carrying cases filled with the precious fruit. The grapes will immediately be sorted, pressed and put in steel tanks to begin fermentation, the first step on their long journey to become wine. Zhou the winemaker observes the whole process by peering out of a window that overlooks the vines. Although she reckons that Ningxia wines can't yet match the quality of their French, Italian or American counterparts, she believes the region has all it takes to make a name for itself. "I feel privileged and proud to witness the stage this industry has reached," she explains, with a gentle smile on her face. "More and more Chinese winemakers are touring the world and learning new techniques which help us improve. We still have a long way to go, but I am very confident in our future." ■